



The Electoral Office for Northern Ireland

Strategic Internal Audit Plan

22 August 2011

Ref: BC/am

Private and Confidential

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Chief Electoral Officer
Electoral Office for Northern Ireland
2nd Floor
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22 August 2011

Dear Sir

Re: Strategic Internal Audit Plan

Introduction

1. The purpose of this document is to provide the Electoral Office for Northern Ireland ("EONI") with a Strategic Internal Audit Plan ("Strategic Plan") covering the two years ending 31 March 2013.
2. On our appointment in 2008, we prepared a three year Strategic Plan covering the 2008/09 to 2010/11 period. Our appointment has been extended for a further one year out of a potential two one-year extension periods. We note that we have prepared this current two year Plan covering the period 2011/12 and 2012/13 as an addendum to the existing Strategic Internal Audit Plan.
3. In preparing this Strategic Plan we have considered:
 - a) our previous internal audit plans and audit reports;
 - b) EONI's Business Plan 2011-2012;
 - c) EONI's risk register dated June 2011; and
 - d) those areas identified as being of higher risk and requiring Internal Audit attention during our meeting with the Chief Electoral Officer and Head of Corporate Services on 24 June 2011.
4. This Strategic Plan was approved by the Management Board on 18 August 2011. This Strategic Plan provides a platform to enable the preparation of an operational plan which will incorporate the detailed arrangements for the internal audit work to be conducted in each year.

Background to EONI

5. The underlying statutory basis for the electoral system in Northern Ireland is set out in the Electoral Law Act (Northern Ireland) 1962 (as amended by Article 6 of the Electoral Law (Northern Ireland) Order 1972) and the Representation of the People Act 1983 and the Northern Ireland (Miscellaneous Provisions) Act 2006.

6. The Chief Electoral Officer is a Crown appointment and is operationally independent of Government. The Chief Electoral Officer is required to carry out the functions conferred on him by law. The main duties of the Chief Electoral Officer are:

- to act as electoral registration officer for all constituencies in Northern Ireland;
- to act as returning officer for all elections and referenda in Northern Ireland;
- to recommend to the Secretary of State for Northern Ireland by 16 April each year whether or not a registration canvass should be conducted;
- to act as an assessor to the Boundary Commission for Northern Ireland;
- to act as an assessor to the Local Government Boundaries Commissioner; and
- to lead and manage EONI.

7. The role of EONI is to provide the logistical and administrative support to enable the Chief Electoral Officer to discharge his legislative duties.

Key risks

8. The key risks facing the organisation, as identified in its June 2011 risk register, are as follows:

- a) that EONI may not be prepared to cope with a snap election;
- b) that EONI may fail to meet its legislative registration objectives;
- c) that fraudulent electoral registration attempts may be made;
- d) the loss of IT, accommodation or personal data;
- e) the loss of expertise through retirement or resignation of key staff; and
- f) the loss of EONI's telephone network.

Internal Audit Plan

9. During the course of our previous appointment we undertook internal audit reviews in relation to a range of areas within EONI. Our work identified that EONI has a history of maintaining a satisfactory internal control environment and that the Management Board has had appropriate regard to the importance of maintaining effective control systems and procedures.

10. Based on our discussions with management we have identified the following areas which may benefit from an internal audit review over the course of the two year period from 2011/12 to 2012/13:

- a) Financial controls over elections (including election payroll);
- b) Area Electoral Offices;
- c) HR, payroll, pension and travel expenses (non-election staff);
- d) IT security and information assurance;
- e) Corporate Governance, fraud and risk management;

- f) Procurement; and
- g) "Other" financial systems incorporating:
 - i) income;
 - ii) bank and cash;
 - iii) management and financial information; and
 - iv) fixed assets.

11. We have included, at **Appendix A**, the rationale for selecting each of these areas, together with details of the potential scope of each review.

Risk assessment

12. We have undertaken a broad-based risk assessment of each of those areas which may be subject to review over the course of our appointment. This risk assessment is set out, in descending order, in the table below.

Audit area	Impact (0 - 10)	Likelihood (0 - 10)	Total risk score
Financial controls over elections	8	5	40
Area Electoral Offices	7	5	35
IT security and information assurance	8	4	32
HR, payroll, pensions and travel expenses (non-election staff)	6	4	24
Corporate Governance, fraud and risk management	7	3	21
Procurement and "other" financial systems	6	3	18

Audit day allocation

13. For planning purposes we have discussed with management when each of these areas should be scheduled over the two year period.

14. In order to provide assurance that internal audit recommendations are being implemented, we have allocated three audit days in each year of our plan to undertake follow up reviews of those internal audit recommendations previously accepted by management.

15. In accordance with good practice, we have also allocated one day each year for liaison with the Management Board and the External Auditors and one day for contingency audit to allow for unforeseen changes to the scope or scale of the planned audits and to enable the provision of ad-hoc advice on control or governance issues.

16. We will agree with management an annual internal audit schedule in advance of commencing each year's fieldwork. Terms of reference will be agreed with management for each year's internal audit assignments.

17. On the basis of our broad-based risk assessment and the rationale outlined at **Appendix A**, we propose to allocate our man day input over the two years ending 31 March 2013 as follows:

Activity	2011/12 Days	2012/13 Days
Operational services		
Financial controls over elections (including in 2011/12 Election Payroll)	10.0	5.0
Area Electoral Offices	5.0	4.0
Central services		
IT security and information assurance	3.0	-
HR, payroll, pensions and travel expenses (non-election staff)	4.0	-
Corporate Governance, fraud and risk management	-	5.0
Procurement and "other" financial systems	-	9.0
Other		
Preparation of strategic internal audit plan	1.0	-
Planning	1.5	1.5
Follow-up reviews	3.0	3.0
Liaison with External Auditors and the Management Board	1.0	1.0
Contingency audit	1.0	1.0
	<u>29.5</u>	<u>29.5</u>

18. If you wish to discuss any aspect of this correspondence please do not hesitate to contact either myself or Amanda McMaw.

Yours sincerely

Brian Clerkin
Director

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Rationale and scope of reviews

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Financial controls over elections

A1. The management of elections within Northern Ireland is EONI's core business area and therefore should be part of the rolling programme of regular audits. The failure of EONI to cope with a snap election is recognised as a key risk on EONI's risk register.

A2. EONI recruits approximately 5,000 staff to work at polling stations and count centres for Council, Assembly, Westminster and European elections. Election staff are paid in accordance with a schedule of fees established by the Chief Electoral Officer. EONI's Finance section is responsible for processing the election related payroll.

A3. The review will include a detailed review of EONI's financial management in respect of elections. In the first year of our two year plan the review will include the processing and payment of election payroll and travel expenses in respect of the 2011 elections. In the second year of our plan the review will consider any control improvements identified and implemented in relation to the 2011 elections.

Area Electoral Offices

A4. There are eight Area Electoral Offices ("AEO's") which are situated at seven different locations throughout Northern Ireland (two electoral offices share accommodation in Banbridge). These are reviewed by Internal Audit on a cyclical basis. It is anticipated that the Belfast and Banbridge AEO's will be subject to review in 2011/12 and that the Londonderry and Newtownards AEO's will be subject to review in 2012/13.

A5. The assignment will include a review of the registration processes, information and physical security, cash management, fixed asset management and payroll processing within each AEO.

IT security and information assurance

A6. EONI uses a variety of computer systems for maintaining the electoral register, financial processing and HR purposes. EROS provides a database for the Electoral Register and associated information, and additionally supports an integrated election management system. Loss of IT and loss personal data are recognised as key risks on EONI's risk register.

A7. The review will include both physical and electronic record keeping and storage, data retention, compliance with best practice guidance in respect of IT security and information assurance, and operational IT security issues.

HR, payroll, pensions and travel expenses (non-election staff)

A8. EONI's HR Officer is responsible for the management of HR matters including recruitment, training, development and absence management. Loss of expertise through retirement or resignation is a key risk on EONI's risk register.

A9. EONI employs approximately 60 permanent staff at Headquarters and Area Electoral Offices throughout Northern Ireland. EONI's payroll is processed by HR Connect, the Northern Ireland Civil Service Shared Service Centre. Permanent staff details are maintained by EONI's HR Section.

A10. The review will include the processing and payment of the payroll, pensions and travel expenses of permanent staff and an assessment of EONI's recruitment and retention processes, training and development processes and the effectiveness of EONI's absence management policy.

Rationale and scope of reviews (cont'd)

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Corporate governance, fraud and risk management

A11. EONI is required to adhere to best practice corporate governance and risk management requirements for NDPB's. EONI has developed a corporate level risk register which is subject to regular review and update by the Management Board. We understand that EONI may undertake to develop an Audit Committee during 2011/12.

A12. The review will include an assessment of EONI's governance arrangements, risk management processes and those controls which are in place to ensure the prevention and detection of fraud.

Procurement and "other" financial systems

A13. The Corporate Services team is responsible for managing the day to day aspects of procurement. Procurement procedures have been formally documented and are included in the EONI's financial procedures manual. EONI utilises the Central Procurement Directorate ("CPD") for tendering most of its major purchases.

A14. All election costs for Parliamentary and European elections are funded by HM Treasury. All of EONI's non-election costs are funded by the NIO. Funding is drawn down on a needs basis. We understand that EONI are facing reductions in its budget allocation for 2011/12 and subsequent years.

A15. The review will include a review of EONI's processes and procedures for procurement and compliance with best practice procurement guidance and consideration of procedures in respect of draw downs of funding, EONI's banking arrangements, budgetary management, and the provision of management and financial information to the Management Board. We will also undertake a review of EONI's processes in respect of IT and non-IT fixed assets.